

ASSEMBLY BILL

No. 1512

Introduced by Committee on Insurance

March 5, 2015

An act to amend Section 396 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1512, as introduced, Committee on Insurance. Insurance: notice of lapse.

Existing law requires an insurance policy to specify certain information, including, but not limited to, the parties to the contract, the property or life insured, the risks insured against, premium, and the coverage period. Existing law, commencing January 1, 2016, and with regard to private passenger automobile insurance that provides coverage for 6 months or longer, specified residential property insurance, and policies of individual disability income insurance that are issued and take effect or that are renewed on or after January 1, 2016, requires an insurer to maintain a verifiable process or adopt a procedure that allows an applicant or policyholder to designate one additional person to receive notice of lapse, termination, expiration, nonrenewal, or cancellation of a policy for nonpayment of premium, as specified. Existing law provides that if an insurer opts to adopt the verifiable process then, the insurer shall provide the policyholder, within 30 days after the inception of an individual policy, with notice of the right to designate one person. Existing law provides that if a policy holder pays the premium for an insurance policy through a payroll or pension deduction plan, then the notice of the right to designate one person need only be sent within 60 days after the policyholder is no longer on that deduction payment plan.

Existing law further requires the application form for an insurance policy to clearly indicate the deduction payment plan selected by the applicant.

This bill would remove the requirement that the application form clearly indicate the deduction payment plan selected by the applicant.

Vote: majority. Appropriation: no. Fiscal committee: no.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 396 of the Insurance Code is amended
2 to read:

3 396. (a) An insurer shall do either of the following:

4 (1) Maintain a verifiable process that allows a policyholder to
5 designate in writing or by electronic transmission pursuant to
6 Section 38.5 one additional person to receive notice of lapse,
7 termination, expiration, nonrenewal, or cancellation of a policy
8 for nonpayment of premium. The insurer shall notify the
9 policyholder in writing or by electronic transmission pursuant to
10 Section 38.5 of this right at the time of the application or within
11 30 days after the inception date of an individual policy described
12 in subdivision (f), and at least every two years thereafter. The
13 notification described in this subdivision shall instruct the
14 policyholder how to request the designation and how to replace
15 or delete a designee. If a policyholder initiates contact with the
16 insurer after the insurer has provided notice and the insurer
17 complies with the policyholder's request to establish or change
18 the additional person to receive the notice described in this section,
19 the insurer shall not be required to maintain additional verification.

20 (2) Comply with subdivision (b).

21 (b) An insurer that adopts the following procedure shall be
22 deemed to have complied with subdivision (a).

23 (1) Unless an applicant for insurance has been provided notice
24 of the right set forth in this section prior to inception of the policy,
25 the insurer shall provide the policyholder, within 30 days after the
26 inception date of an individual policy described in subdivision (f),
27 with notice of the right to designate one person, in addition to the
28 policyholder, to receive notice of lapse, termination, expiration,
29 nonrenewal, or cancellation of a policy for nonpayment of
30 premium. The insurer shall provide each applicant or policyholder

1 with notice in writing or by electronic transmission pursuant to
2 Section 38.5 of the opportunity to make the designation. That
3 notice shall instruct the applicant or policyholder on how he or
4 she is to submit the name and address of one person, in addition
5 to the applicant or policyholder, who is to receive notice of lapse,
6 termination, expiration, nonrenewal, or cancellation of the policy
7 for nonpayment of premium.

8 (2) If after having been provided notice from the insurer of the
9 right to designate an individual to receive notice of lapse,
10 termination, expiration, nonrenewal, or cancellation for
11 nonpayment of premium, the applicant or policyholder fails to
12 designate an individual within 30 days, the applicant or
13 policyholder shall be conclusively presumed to have declined the
14 opportunity to exercise his or her right at that time.

15 (3) Notwithstanding subparagraph (C) of paragraph (2) of
16 subdivision (a) of Section 791.13 or any other law, the insurer
17 shall retain and utilize as necessary the contact information
18 provided in the written designation for the lifetime of the policy,
19 and allow the policyholder to update the written designation if the
20 policyholder so requests.

21 (c) (1) A policyholder retains the right to designate the one
22 additional person to receive notice of lapse, termination, expiration,
23 nonrenewal, or cancellation for nonpayment of premium at any
24 time, at the initiative of the policyholder, regardless of whether
25 the policyholder previously declined to exercise that right. At least
26 every two years, the insurer shall notify the policyholder in writing
27 or by electronic transmission pursuant to Section 38.5, of
28 whichever of the following applies:

29 (A) If a policyholder has previously provided a designation
30 pursuant to this subdivision, in writing or by electronic transmission
31 pursuant to Section 38.5, the right to change the prior designation
32 by replacing or deleting a person to receive notice of lapse,
33 termination, expiration, nonrenewal, or cancellation for
34 nonpayment of premium.

35 (B) If the policyholder has not previously designated a person
36 to receive the notice of lapse, termination, expiration, nonrenewal,
37 or cancellation for nonpayment of premium pursuant to this
38 subdivision, the right to designate a person to receive notice of
39 lapse, termination, expiration, nonrenewal, or cancellation for
40 nonpayment of premium.

1 (2) The notice requirements in subparagraphs (A) and (B) of
2 paragraph (1) may be provided to a policyholder in a single notice
3 and shall not require two separate notices.

4 (d) When a policyholder pays the premium for an insurance
5 policy through a payroll or pension deduction plan, the
6 requirements contained in paragraph (1) of subdivision (b) need
7 not be met until 60 days after the policyholder is no longer on that
8 deduction payment plan. ~~The application form for an insurance~~
9 ~~policy shall clearly indicate the deduction payment plan selected~~
10 ~~by the applicant.~~

11 (e) An insurance policy shall not lapse or be terminated for
12 nonpayment of premium unless the insurer, at least 10 days prior
13 to the effective date of the lapse, termination, expiration,
14 nonrenewal, or cancellation, gives notice to the individual
15 designated pursuant to subdivision (a) or (b) at the address provided
16 by the policyholder for purposes of receiving the notice of lapse,
17 termination, expiration, nonrenewal, or cancellation for
18 nonpayment of premium. Notwithstanding any other law, notice
19 shall be given by first-class United States mail, postage prepaid,
20 within 10 days after the premium is due and unpaid. This
21 subdivision does not modify requirements for notice to the
22 policyholder of lapse, termination, expiration, nonrenewal, or
23 cancellation set forth in other sections of this code.

24 (f) This section applies only to policies of private passenger
25 automobile insurance that provide coverage for six months or
26 longer, policies of residential property insurance as described in
27 subdivision (a) of Section 10087 that take effect or that are renewed
28 after the effective date of this section, and policies of individual
29 disability income insurance as described in subdivision (i) of
30 Section 799.01.

31 (g) This section applies to policies that are issued and take effect
32 or that are renewed on or after January 1, 2016.

33 (h) An individual designated by a policyholder pursuant to this
34 section to receive notice of lapse, termination, expiration,
35 nonrenewal, or cancellation of the policy for nonpayment of
36 premium does not have any rights, whether as an additional insured
37 or otherwise, to any benefits under the policy, other than the right
38 to receive notice as provided by this section.

- 1 (i) This section shall become operative on January 1, 2016.

O